

**UNIFORM NETWORK CODE MODIFICATION PANEL**

**MINUTES OF THE 84<sup>th</sup> MEETING**

**HELD ON THURSDAY 20 AUGUST 2009**

**Members Present:**

**Transporter Representatives:** M Watson (National Grid NTS), A Raper (National Grid Distribution), J Martin (Scotia Gas Networks), J Ferguson (Northern Gas Networks) and S Trivella (Wales & West Utilities),

**User Representatives:** C Wright (British Gas Trading), P Bolitho (E.ON UK) and P Broom (GDF Suez)

**Ofgem Representative:**

J Boothe

**Joint Office:**

T Davis (Chairman) and J Bradley (Secretary)

**84.1 Note of any alternates attending meeting**

M Watson for R Hewitt (National Grid NTS), A Raper for C Warner (National Grid Distribution), J Martin for A Gibson (Scotia Gas Networks), C Wright for A Barnes (Gazprom), P Bolitho for R Fairholme (E.ON UK) and P Broom for A Bal (Shell).

**84.2 Record of Invitees to the meeting**

A Hall (Consumer Focus)

**84.3 Record of apologies for absence**

R Hewitt, C Warner, A Gibson, A Bal, A Barnes and R Fairholme

**84.4 Receive report on status of Urgent Modification Proposals**

None

**84.5 Consider New, Non-Urgent Modification Proposals**

- a) Proposal 0258: "Facilitating the Use of Remote Meter Reading Equipment for the Purposes of Demand Estimation Forecasting Techniques"

Following a presentation by J Martin (Scotia Gas Networks), the Panel voted UNANIMOUSLY for this Proposal to be referred to the Distribution Workstream for consideration. The Workstream was requested to report to the 17 September Panel meeting.

- b) Proposal 0263: "Enabling the Assignment of a Partial Quantity of registered NTS Exit (Flat) Capacity"

Following a presentation from C Wright (British Gas Trading), the Panel discussed whether the Proposal should be regarded as a User Pays Proposal. J Boothe indicated an initial Ofgem view that this was not a User Pays Proposal but Ofgem would need to consider the arguments for and against prior to reaching a conclusion. P Bolitho and C Wright supported the view that this was not a User Pays Proposal, regarding this as an element of NTS exit reform for which funding had been provided. M Watson did not support this view, pointing out that partial assignment was not envisaged in Modification Proposal 0195AV and that the arrangements were different to those for full assignment - the systems costs to support implementation were likely to be material.

After a discussion on whether this Proposal was sufficiently clear for legal text to be drafted, the Panel voted UNANIMOUSLY for this Proposal to be referred to the Transmission Workstream for consideration. The Workstream was requested to report to the 17 September Panel meeting.

- c) Proposal 0265: "Creation of a NTS Entry Capacity Retention Charge within the Uniform Network Code"

Following a presentation from M Watson (National Grid NTS) and a discussion, the Panel voted UNANIMOUSLY for the Proposal to proceed to Consultation. The Panel then voted UNANIMOUSLY for representations to close-out on 11 September 2009. They did not determine that legal text was required, with no votes cast in favour. J Boothe, on behalf of Ofgem, requested the production of legal text. Panel Members agreed that, if the 11 September date was met, the Final Modification Report would be considered at short notice at the September Panel meeting.

#### **84.6 Consider New Proposals for Review**

None.

#### **84.7 Consider Terms of Reference.**

None

#### **84.8 Existing Modification Proposals for Reconsideration**

None.

#### **84.9 Consider Variation Requests**

None.

#### **84.10 Consider Workstream Monthly Reports**

##### **Matters for Panel's Attention**

##### **Extensions Requested**

Proposal 0231: "Changes to the Reasonable Endeavours Scheme to better incentivise the detection of Theft"

Following a request, the Panel voted UNANIMOUSLY to extend the time for the Distribution Workstream to report until 15 October 2009.

Proposal 0231: "Changes to the Reasonable Endeavours Scheme to better incentivise the detection of Theft"

Following a request, the Panel voted UNANIMOUSLY to extend the time for the Review Group to report until 15 October 2009.

##### **Workstream Reports for Consideration**

Proposal 0262: "Treatment of Capacity affected by Force Majeure"

The Panel accepted UNANIMOUSLY the Workstream Report. Following discussion, the Panel voted whether consideration of the Proposal should be deferred, since it had been amended less than five Business Days prior to the Panel Meeting. The following members cast votes for deferral: A Raper, J Martin, J Ferguson and S Trivella. Therefore the Panel did not defer consideration. After further discussion, the Panel voted for the Proposal to proceed to consultation with C Wright (also proxy vote for A Barnes), P Bolitho, P Broom (also proxy vote for A Bal) and M Watson voting in favour. The Panel then voted UNANIMOUSLY for representations to close-out on the later of 11 September 2009 or five Business Days after draft legal text is

published. They did not determine that legal text was required, with no votes cast in favour. Panel Members agreed that the Final Modification Report would be considered at short notice at the September Panel meeting.

#### Project Nexus Workstream

T Davis indicated that the Joint Office felt there would be insufficient business to justify the next Project Nexus Workstream meeting going ahead, and that there was a case for cancelling the initial meetings of Topic Workgroups which were seeking to agree terms of reference. After some discussion, with concerns being raised that there should be no undue delays to the Project, this was accepted.

#### **84.11 Consider Final Modification Reports.**

a) Proposal 0209 “Rolling AQ”

T Davis summarised discussions on the outstanding questions regarding costs and benefits that need to be addressed to support Ofgem reaching an informed decision on the Proposal. After discussion, the Panel voted UNANIMOUSLY to refer this Proposal to the Project Nexus Workstream for further consideration, reporting by the 19 November 2009 Panel meeting.

b) Proposal 0253: “Facilitating a Supply Point Enquiry Service for Large Supply Points”

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members recognised that this was an enabling Proposal to facilitate release of information regarding all relevant Supply Points. At present, data is made available on request for individual Supply Points. By facilitating release of data, some Members believed that implementation would support the accuracy and timeliness of their quotation processes to customers, and hence implementation would be expected to further the GT Licence ‘code relevant objective’ of *“the securing of effective competition between relevant shippers”*. However, other Members were concerned that data release could lead to inappropriate market behaviour towards specific customers, such as targeting sites perceived to be the most profitable, and avoiding those perceived to be the least profitable. Hence this ‘code relevant objective’ would not be facilitated by implementation of the Proposal.

The Panel then voted whether to recommend implementation, the following members casting votes in favour: C Wright (also proxy vote for A Barnes), P Broom (also proxy vote for A Bal), A Raper and J Ferguson. Therefore, the Modification Panel recommended implementation of this Proposal.

c) Proposal 0256: “Amendment to the Network Entry Agreement at St Fergus SAGE Terminal”

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by facilitating the widening of the acceptable gas quality specification at the Sage terminal, implementation of the

Proposal would facilitate additional gas entering the pipe-line system. Implementation would therefore be expected to further the GT Licence 'code relevant objective' of *"the efficient and economic operation the pipeline-system to which this licence relates"* and *"the securing of effective competition between relevant shippers"*.

The Panel then voted UNANIMOUSLY to recommend implementation of the Proposal.

- d) Proposal 0257: "Revision of the Gas Balancing Alert (GBA) Trigger/Safety Monitor"

Members considered the report was in the correct form and discussed whether or not to recommend implementation of the Proposal. They did not determine that new issues had been raised that justified seeking further views from a Workstream or Development Work Group.

Members considered that, by improving the alignment of the GBA trigger and storage monitor methodology, there would be a reduced risk of a GBA being called unnecessarily. This would prevent unnecessary market and system operation activity and hence implementation would be expected to further the GT Licence 'code relevant objectives' of *"the efficient and economic operation the pipeline-system to which this licence relates"* and *"the securing of effective competition between relevant shippers"*.

The Panel then voted UNANIMOUSLY to recommend implementation of the Proposal.

#### **84.12 Receive report on status of Consents.**

The following consents are with Ofgem for approval:

C020: "Changes to Document References Contained Within the UNC"

C021: "Changes to Cross References Contained Within UNC TPD Section F – System Clearing, Balancing Charges and Neutrality"

#### **84.13 Any Other Business**

- a) Minutes of May 2009 Panel Meeting

M Watson noted that the minutes of the May Panel meeting did not refer to the decision that no Detailed Cost Assessment (DCA) should be requested in respect of Proposal 0246 and its alternatives. Panel Members expressed difficulty in recalling this discussion due to the effluxion of time and therefore did not approve any change to the minutes. However, it was agreed that formally requesting a DCA would have delayed the Modification Proposal progressing which, in the circumstances, would not have been appropriate.

- b) Code Governance Review – Initial Proposals

J Boothe gave a presentation outlining Ofgem's initial proposals. She highlighted the desire of the Authority to see changes which supported involvement of smaller parties and new entrants in the change process.

Ofgem expects major policy reviews to take a substantial amount of time prior to the raising of modification proposals, due to the likely nature of the subjects and the use of a full and thorough consultation process. P Bolitho felt improvements had been made since the previous consultation, particularly that Transporters, rather than Panel, would be obliged to raise any necessary modification proposals. However, he felt Transporters should be able to oppose a proposal even if obliged to raise it and that no

Panel member should be expected to support a proposal on the grounds that it facilitated achievement of the prospective licence obligation with respect to raising proposals following a major policy review. J Boothe emphasised that Ofgem recognised the importance of checks and balances and that the initial proposals said that panel members would be expected to consider proposals emanating from a major policy review in the same way as others, with no obligation that they should necessarily be supported.

J Boothe highlighted concerns regarding the level and quality of analysis supporting proposals in addition to the involvement of smaller participants. Ofgem is proposing that code administrators take on more of the “critical friend” role to help address this. Panel Members felt the Joint Office already plays a critical friend role and should continue to support all players, not just smaller participants. In addition, active Ofgem involvement would assist in ensuring that issues they believed to be important would be addressed.

J Boothe explained that Ofgem saw value in being able to call in or send back Proposals to ensure sufficient analysis or benefits are identified, but she hoped this would not be needed in practice. While acknowledging the preference for more Ofgem involvement in the initial stages of the process, she emphasised that Ofgem should not always lead the debate nor reach conclusions prior to industry debate.

Panel members supported the suggestion that Panels could take initial decisions on which path a proposal should follow – self governance or Ofgem decision. They also welcomed the prospect of increased self governance. However, Panel members also identified that a good number of developments might benefit from a more holistic process such as that envisaged for major policy reviews. When developments involved changes in more than one area, such as charging methodologies (including the Agency Charging Statement) as well as the UNC, the availability of a single consultation and decision process would increase efficiency.

J Boothe invited views on giving voting rights to consumer representatives such as Consumer Focus. M Watson supported this, subject to consistent attendance and knowledge of the subject being discussed. J Boothe agreed that a degree of commitment would be needed from consumer groups in order to generate a sufficient understanding of the issues involved, and the code administrators would be expected to support this. MW suggested that one possibility might be for consumer representative voting to be limited to issues that directly impact consumers, although it was recognised that this would be difficult to define and police. The principle could also be applied more widely, such as Transporters not voting on issues which primarily impact Shippers. A Raper suggested that formally noting the view of the consumer representatives rather than issuing them with voting rights may be a better outcome.

J Boothe indicated that Ofgem saw their proposals as a package moving in the same direction. Smaller participant and consumer involvement would be encouraged by strengthening the code administrator role as a critical friend, and an Ofgem appointed independent Panel Chair would add to this. There was some doubt among Members regarding the implications of the proposed independent Panel chair, with no indication that this was something that respondents had been seeking – the Panel regards the JO as suitably independent, including the Panel chair.

For next steps, the CAWG (Code Administrator Working Group) will be reconvened to develop a Code Administrator Code of Practice. Final proposals are then due to be published in early 2010. Initial draft licence changes and the charging methodology proposals are due for publication by the end of August.

It was agreed that the Panel Secretary should draft a Panel response reflecting the points made in discussion, and this would be considered at the September Panel meeting. T Davis asked J Boothe to establish whether Ofgem would accept a late response from the UNC Panel since responses were due on the day following the Panel meeting.

**84.14 Conclude Meeting and Agree Date of Next Meeting:**

The next Panel meeting was confirmed as 17 September 2009.